

MESICK CONSOLIDATED SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2008

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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

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October 9, 2008

INDEPENDENT AUDITORS' REPORT

Board of Education
Mesick Consolidated Schools
Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools, Mesick, Michigan as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mesick Consolidated Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Mesick Consolidated Schools, Mesick, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008, on our consideration of Mesick Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 23-24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mesick Consolidated Schools, Mesick, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Mesick Consolidated Schools, a K-12 school district located in Wexford and Manistee Counties, Michigan. The Management's Discussion and Analysis is intended to be the Mesick Consolidated Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP), require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

C. Summary of Net Assets

The following schedule summarizes the net assets at fiscal years ended June 30,

| | <u>2008</u> Fiscal Year | <u>2007</u> Fiscal Year |
|--|----------------------------|-----------------------------|
| Assets | | |
| Current Assets | \$ 2,518,291 | \$ 3,446,418 |
| Non Current Assets | | |
| Capital Assets | 10,932,860 | 10,722,265 |
| Less Accumulated Depreciation | (3,653,922) | (3,447,870) |
| Deferred Charges - Net of Accumulated Amortization | <u>36,563</u> | <u>40,250</u> |
| Total Non Current Assets | <u>7,315,501</u> | <u>7,314,645</u> |
| Total Assets | <u><u>\$ 9,833,792</u></u> | <u><u>\$ 10,761,063</u></u> |
| Liabilities | | |
| Current Liabilities | \$ 1,154,582 | \$ 1,248,688 |
| Non Current Liabilities | <u>4,908,376</u> | <u>5,353,755</u> |
| Total Liabilities | <u>6,062,958</u> | <u>6,602,443</u> |
| Net Assets | | |
| Invested in Capital Assets Net of Related Debt | 2,180,501 | 1,754,645 |
| Restricted for Debt Service | 128,281 | 142,034 |
| Unrestricted | <u>1,462,052</u> | <u>2,261,941</u> |
| Total Net Assets | <u>3,770,834</u> | <u>4,158,620</u> |
| Total Liabilities and Net Assets | <u><u>\$ 9,833,792</u></u> | <u><u>\$ 10,761,063</u></u> |

D. Analysis of Financial Position

During the fiscal year ended June 30, 2008, the District's net assets decreased by \$387,786. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset

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MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$290,297 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2008, \$294,840 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposals and the current year's depreciation is an increase in capital assets in the amount of \$4,543 for the fiscal year ended June 30, 2008.

E. Results of Operations

For the fiscal years ended June 30, the results of operations, on a District-wide basis, were:

| | <u>2008</u> | <u>2007</u> |
|-------------------------------|----------------------------|-------------------------|
| General Revenues | | |
| Property Taxes | \$ 1,689,092 | \$ 1,610,913 |
| Investment Earnings | 60,733 | 88,514 |
| State Sources | 4,824,737 | 5,037,318 |
| Other | 118,131 | 221,177 |
| Total General Revenues | <u>6,692,693</u> | <u>6,957,922</u> |
| Program Revenues | | |
| Charges for Services | 139,512 | 148,959 |
| Operating Grants | 1,360,022 | 1,398,568 |
| Total Program Revenues | <u>1,499,534</u> | <u>1,547,527</u> |
| Total Revenues | <u>8,192,227</u> | <u>8,505,449</u> |
| Expenses | | |
| Instruction | 4,757,416 | 4,669,866 |
| Supporting Services | 2,747,091 | 2,678,861 |
| Food Service | 374,676 | 346,650 |
| Athletic Activities | 191,746 | 214,571 |
| Capital Outlay | 31,607 | 28,832 |
| Interest on Long-Term Debt | 181,573 | 189,829 |
| Other Transactions | 1,920 | 963 |
| Depreciation and Amortization | 293,984 | 310,220 |
| Total Expenses | <u>8,580,013</u> | <u>8,439,792</u> |
| Change in Net Assets | <u><u>\$ (387,786)</u></u> | <u><u>\$ 65,657</u></u> |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$1,104,817 in non-homestead property taxes. The amount of unpaid general property taxes at June 30, 2008, was \$3,553 for the 2007 tax roll.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

| <u>Fiscal Year</u> | <u>Non-Homestead Tax Levy</u> | <u>Increase from Prior Year</u> |
|--------------------|-----------------------------------|-------------------------------------|
| 2007-2008 | 1,104,817 | 6.69% |
| 2006-2007 | 1,035,576 | 6.71% |
| 2005-2006 | 970,471 | 7.92% |
| 2004-2005 | 899,267 | 6.51% |
| 2003-2004 | 844,338 | 8.16% |

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of a three year average of 75% of the September 2007, 2006 and 2005 count and 25% of the February 2007, 2006 and 2005 count. For the 2007-2008 fiscal year, the District received a base foundation allowance of \$7,204 per student FTE. This amounted to a \$119 per student increase over the amount received for the 2006-2007 fiscal year.

MESICK CONSOLIDATED SCHOOLS
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

| <u>Fiscal Year</u> | <u>Blended Student FTE</u> | <u>FTE Change from Prior Year</u> |
|--------------------|--------------------------------|---------------------------------------|
| 2007-2008 | 822 | (37) |
| 2006-2007 | 859 | (26) |
| 2005-2006 | 885 | (17) |
| 2004-2005 | 902 | (30) |
| 2003-2004 | 932 | (2) |

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants accounted for \$1,360,022. This represents a decrease over the total grant sources of \$1,398,568 received for the 2006-2007 fiscal year.

5. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

| <u>Expenditures</u> | <u>2007-2008 Fiscal Year</u> | <u>2006-2007 Fiscal Year</u> | <u>Increase (Decrease)</u> |
|-------------------------|----------------------------------|----------------------------------|--------------------------------|
| Instruction | \$ 4,753,741 | \$ 4,682,443 | \$ 71,298 |
| Supporting Services | 3,041,010 | 2,673,092 | 367,918 |
| Food Service Activities | 374,651 | 346,650 | 28,001 |
| Athletic Activities | 191,746 | 214,571 | (22,825) |
| Capital Outlay | 31,607 | 28,832 | 2,775 |
| Debt Service | 608,250 | 586,150 | 22,100 |
| Other Transactions | 1,920 | 2,921 | (1,001) |
| Total Expenditures | <u>\$ 9,002,925</u> | <u>\$ 8,534,659</u> | <u>\$ 468,266</u> |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

A comparison of expenditures by fund is as follows:

| Expenditures | 2007-2008 Fiscal Year | 2006-2007 Fiscal Year | Increase (Decrease) |
|--------------------------|--------------------------|--------------------------|------------------------|
| General Fund | \$ 7,794,751 | \$7,355,535 | \$ 439,216 |
| Food Service Fund | 374,651 | 346,650 | 28,001 |
| Athletic Activities Fund | 191,746 | 214,571 | (22,825) |
| Debt Service Funds | 610,170 | 589,071 | 21,099 |
| Capital Projects Fund | 31,607 | 28,832 | 2,775 |
| Total Expenditures | <u>\$ 9,002,925</u> | <u>\$8,534,659</u> | <u>\$ 468,266</u> |

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget two times, with the Board adopting the final budget in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
|---------------------|---------------------|---------------------|---------------------|
| Total Revenues | <u>\$ 7,124,343</u> | <u>\$ 7,186,158</u> | <u>\$ 7,233,096</u> |
| <u>EXPENDITURES</u> | | | |
| Instruction | \$ 4,678,579 | \$ 4,780,857 | \$ 4,753,741 |
| Supporting Services | <u>2,753,135</u> | <u>3,023,399</u> | <u>3,041,010</u> |
| Total Expenditures | <u>\$ 7,431,714</u> | <u>\$ 7,804,256</u> | <u>\$ 7,794,751</u> |

The original revenue budget of \$7.124 million was increased to \$7.186 primarily as a result of changes in state and federal and other funding during the year.

The total revenues variance of \$46,938 is .65% of total budgeted revenues and the total expenditures variance of \$9,505 is .001% of the total General Fund expenditures for the year.

MESICK CONSOLIDATED SCHOOLS
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2007-2008 fiscal year, the District had invested approximately \$10.933 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$210,595 over the prior fiscal year. Depreciation expense for the year amounted to \$290,297, bringing the accumulation to \$3.654 million as of June 30, 2008.

2. Long-Term Debt

At June 30, 2008, the District had \$5,135,000 in bonded debt outstanding. This represents a decrease of \$425,000 over the amount outstanding at the close of the prior fiscal year.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008-2009 fiscal year. The early indication is that the foundation allowance will increase slightly in 2008-2009. This will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. The District has taken steps to mitigate this increase. The number of retirees projected to occur over the next few years may also result in higher annual increases.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students becomes very important. This increase in assessments of students will all need to be funded by the district.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Manager, Mesick Consolidated Schools, 210 Mesick Avenue, Mesick, Michigan 49668.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

CURRENT ASSETS

| | |
|-----------------------------------|------------------|
| Cash and Cash Equivalents | \$ 1,358,496 |
| Taxes Receivable | 20,603 |
| Inventories | 3,225 |
| Due from Other Governmental Units | 1,071,755 |
| Investments | 64,212 |
| Total Current Assets | <u>2,518,291</u> |

NON CURRENT ASSETS

| | |
|--|---------------------|
| Capital Assets | 10,932,860 |
| Less Accumulated Depreciation | (3,653,922) |
| Deferred Charges - Net of Accumulated Amortization | 36,563 |
| Total Non Current Assets | <u>7,315,501</u> |
| TOTAL ASSETS | <u>\$ 9,833,792</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

| | |
|--|------------------|
| Accounts Payable | \$ 66,646 |
| Accrued Interest Payable | 28,948 |
| Salaries Payable | 468,349 |
| Accrued Expenses | 127,003 |
| Deferred Revenue | 13,636 |
| Current Portion of Non Current Liabilities | 450,000 |
| Total Current Liabilities | <u>1,154,582</u> |

NON CURRENT LIABILITIES

| | |
|---|------------------|
| Bonds Payable | 5,135,000 |
| Compensated Absences | 223,376 |
| Less Current Portion of Non Current Liabilities | (450,000) |
| Total Non Current Liabilities | <u>4,908,376</u> |
| Total Liabilities | <u>6,062,958</u> |

NET ASSETS

| | |
|--|---------------------|
| Invested in Capital Assets Net of Related Debt | 2,180,501 |
| Restricted for Debt Service | 128,281 |
| Unrestricted | 1,462,052 |
| Total Net Assets | <u>3,770,834</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 9,833,792</u> |

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | GOVERNMENTAL |
|---------------------------------------|---------------------|-------------------|---------------------|---------------------|
| | | CHARGES FOR | OPERATING | ACTIVITIES |
| | | SERVICES | GRANTS | NET (EXPENSE) |
| | | | | REVENUE AND |
| | | | | CHANGES IN |
| | | | | NET ASSETS |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Instruction | | | | |
| Basic Programs | \$ 3,858,481 | \$ 9,146 | \$ 308,168 | \$ (3,541,167) |
| Added Needs | 898,465 | 0 | 827,077 | (71,388) |
| Adult/Continuing Education | 470 | 0 | 0 | (470) |
| Supporting Services | | | | |
| Pupil | 214,945 | 0 | 0 | (214,945) |
| Instructional Staff | 173,786 | 0 | 0 | (173,786) |
| General Administration | 291,815 | 0 | 0 | (291,815) |
| School Administration | 438,112 | 0 | 0 | (438,112) |
| Business | 106,992 | 0 | 0 | (106,992) |
| Operation and Maintenance | 822,383 | 0 | 0 | (822,383) |
| Pupil Transportation Services | 449,421 | 0 | 0 | (449,421) |
| Central Services | 249,637 | 0 | 0 | (249,637) |
| Food Service | 374,676 | 106,060 | 224,777 | (43,839) |
| Athletic Activities | 191,746 | 24,306 | 0 | (167,440) |
| Capital Outlay | 31,607 | 0 | 0 | (31,607) |
| Interest on Long Term Debt | 181,573 | 0 | 0 | (181,573) |
| Other Transactions | 1,920 | 0 | 0 | (1,920) |
| Unallocated Amortization | 3,687 | 0 | 0 | (3,687) |
| Unallocated Depreciation | 290,297 | 0 | 0 | (290,297) |
| Total Governmental Activities | <u>\$ 8,580,013</u> | <u>\$ 139,512</u> | <u>\$ 1,360,022</u> | <u>(7,080,479)</u> |
| <u>GENERAL REVENUES</u> | | | | |
| Property Taxes - General Purposes | | | | 1,104,817 |
| Property Taxes - Debt Service | | | | 584,275 |
| Investment Earnings | | | | 60,733 |
| State Sources | | | | 4,824,737 |
| Other | | | | 118,131 |
| Total General Revenues | | | | <u>6,692,693</u> |
| Change in Net Assets | | | | (387,786) |
| <u>NET ASSETS</u> - Beginning of Year | | | | <u>4,158,620</u> |
| <u>NET ASSETS</u> - End of Year | | | | <u>\$ 3,770,834</u> |

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2008

| | GENERAL FUND | FOOD SERVICE FUND | CAPITAL PROJECTS FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------|-------------------------|-----------------------------|--|--------------------------------|
| <u>ASSETS</u> | | | | | |
| Cash and Cash Equivalents | \$ 574,785 | \$ 144,219 | \$ 480,775 | \$ 158,717 | \$ 1,358,496 |
| Taxes Receivable | 12,727 | 0 | 0 | 7,876 | 20,603 |
| Due from Other Funds | 164,243 | 0 | 0 | 0 | 164,243 |
| Inventories | 0 | 3,225 | 0 | 0 | 3,225 |
| Due from Other Governmental Units | 1,071,755 | 0 | 0 | 0 | 1,071,755 |
| Investments | 64,212 | 0 | 0 | 0 | 64,212 |
| TOTAL ASSETS | \$1,887,722 | \$ 147,444 | \$ 480,775 | \$ 166,593 | \$ 2,682,534 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Accounts Payable | \$ 66,646 | \$ 0 | \$ 0 | \$ 0 | \$ 66,646 |
| Salaries Payable | 468,349 | 0 | 0 | 0 | 468,349 |
| Accrued Expenses | 127,003 | 0 | 0 | 0 | 127,003 |
| Due to Other Funds | 0 | 145,153 | 15,791 | 3,299 | 164,243 |
| Deferred Revenue | 20,709 | 2,102 | 0 | 4,646 | 27,457 |
| Total Liabilities | 682,707 | 147,255 | 15,791 | 7,945 | 853,698 |
| <u>FUND BALANCES</u> | | | | | |
| Reserved for Inventory | 0 | 3,225 | 0 | 0 | 3,225 |
| Reserved for Debt Retirement | 0 | 0 | 0 | 152,583 | 152,583 |
| Designated for Compensated Absences | 200,000 | 0 | 0 | 0 | 200,000 |
| Unreserved, Undesignated Reported In: | | | | | |
| General Fund | 1,005,015 | 0 | 0 | 0 | 1,005,015 |
| Special Revenue Funds | 0 | (3,036) | 0 | 6,065 | 3,029 |
| Capital Projects Fund | 0 | 0 | 464,984 | 0 | 464,984 |
| Total Fund Balances | 1,205,015 | 189 | 464,984 | 158,648 | 1,828,836 |
| TOTAL LIABILITIES AND FUND BALANCES | \$1,887,722 | \$ 147,444 | \$ 480,775 | \$ 166,593 | \$ 2,682,534 |

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

| | |
|----------------------------------|--------------|
| Total Governmental Fund Balances | \$ 1,828,836 |
|----------------------------------|--------------|

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are
not reported in the funds

| | | |
|-----------------------------------|--------------------|-----------|
| The cost of the capital assets is | \$ 10,932,860 | |
| Accumulated depreciation is | <u>(3,653,922)</u> | 7,278,938 |

Long term liabilities are not due and payable in the current period and are not
reported in the funds

| | |
|----------------------|-------------|
| Bonds Payable | (5,135,000) |
| Compensated Absences | (223,376) |

| | |
|--|----------|
| Accrued interest is not included as a liability in government funds, it is recorded when paid | (28,948) |
|--|----------|

The issuance of Long-Term Debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
statement of activities over the life of the Long-Term bond issue.

| | | |
|--|-----------------|--------|
| Bond Issuance Costs, Premiums and Discounts | 52,235 | |
| Amortization of Bond Issuance Costs, Premiums and Discounts on Bonds | <u>(15,672)</u> | 36,563 |

| | |
|---|---------------|
| Balance of taxes receivable at June 30, 2008, expected to be collected after September 1, 2008 | <u>13,821</u> |
|---|---------------|

| | |
|---------------------------------------|----------------------------|
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 3,770,834</u></u> |
|---------------------------------------|----------------------------|

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

| | GENERAL FUND | FOOD SERVICE FUND | CAPITAL PROJECTS FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------|-------------------------|-----------------------------|--|--------------------------------|
| <u>REVENUES</u> | | | | | |
| Local Sources | \$ 1,256,150 | \$ 106,524 | \$ 10,053 | \$ 616,883 | \$ 1,989,610 |
| State Sources | 5,335,952 | 16,646 | 0 | 2,940 | 5,355,538 |
| Federal Sources | 502,635 | 208,131 | 0 | 0 | 710,766 |
| Other Transactions | 138,359 | 0 | 0 | 0 | 138,359 |
| Total Revenues | 7,233,096 | 331,301 | 10,053 | 619,823 | 8,194,273 |
| <u>EXPENDITURES</u> | | | | | |
| Instruction | | | | | |
| Basic Programs | 3,857,086 | 0 | 0 | 0 | 3,857,086 |
| Added Needs | 896,655 | 0 | 0 | 0 | 896,655 |
| Supporting Services | | | | | |
| Pupil | 214,860 | 0 | 0 | 0 | 214,860 |
| Instructional Staff | 173,742 | 0 | 0 | 0 | 173,742 |
| General Administration | 291,918 | 0 | 0 | 0 | 291,918 |
| School Administration | 437,868 | 0 | 0 | 0 | 437,868 |
| Business | 106,192 | 0 | 0 | 0 | 106,192 |
| Operation and Maintenance | 1,046,767 | 0 | 0 | 0 | 1,046,767 |
| Pupil Transportation Services | 520,291 | 0 | 0 | 0 | 520,291 |
| Central Services | 249,372 | 0 | 0 | 0 | 249,372 |
| Food Service | 0 | 374,651 | 0 | 0 | 374,651 |
| Athletic Activities | 0 | 0 | 0 | 191,746 | 191,746 |
| Capital Outlay | 0 | 0 | 31,607 | 0 | 31,607 |
| Debt Service | | | | | |
| Principal | 0 | 0 | 0 | 425,000 | 425,000 |
| Interest | 0 | 0 | 0 | 183,250 | 183,250 |
| Other Transactions | 0 | 0 | 0 | 1,920 | 1,920 |
| Total Expenditures | 7,794,751 | 374,651 | 31,607 | 801,916 | 9,002,925 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (561,655) | (43,350) | (21,554) | (182,093) | (808,652) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Transfers In | 0 | 26,400 | 137,363 | 169,780 | 333,543 |
| Transfers Out | (333,543) | 0 | 0 | 0 | (333,543) |
| Sale of Timber | 0 | 0 | 2,200 | 0 | 2,200 |
| Total Other Financing Sources (Uses) | (333,543) | 26,400 | 139,563 | 169,780 | 2,200 |
| Net Change in Fund Balance | (895,198) | (16,950) | 118,009 | (12,313) | (806,452) |
| <u>FUND BALANCE</u> - Beginning of Year | 2,100,213 | 17,139 | 346,975 | 170,961 | 2,635,288 |
| <u>FUND BALANCE</u> - End of Year | \$ 1,205,015 | \$ 189 | \$ 464,984 | \$ 158,648 | \$ 1,828,836 |

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

| | |
|--|--------------|
| Net Change in Fund Balances Total Governmental Funds | \$ (806,452) |
|--|--------------|

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

| | |
|----------------------|-----------|
| Depreciation Expense | (290,297) |
| Capital Outlay | 294,840 |

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

| | |
|--|----------|
| Accrued Interest Payable - Beginning of Year | 30,625 |
| Accrued Interest Payable - End of Year | (28,948) |

| | |
|--|---------|
| Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities) | 425,000 |
|--|---------|

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

| | |
|---|----------|
| Deferred Revenue - Property Taxes - Beginning of Year | (18,067) |
| Deferred Revenue - Property Taxes - End of Year | 13,821 |

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the Long-Term bond issue.

| | |
|--|---------|
| Amortization of Bond Issuance Costs, Premiums and Discounts on Bonds | (3,687) |
|--|---------|

Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

| | |
|--|-----------|
| Compensated Absences - Beginning of Year | 218,755 |
| Compensated Absences - End of Year | (223,376) |

| | |
|---|---------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ (387,786)</u> |
|---|---------------------|

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

| | <u>AGENCY FUND</u> |
|-----------------------------------|------------------------|
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$ 95,386 |
| | <hr/> |
| <u>LIABILITIES AND NET ASSETS</u> | |
| <u>LIABILITIES</u> | |
| Due to Groups and Organizations | \$ 95,386 |
| <u>NET ASSETS</u> | <hr/> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 95,386 |

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Mesick Consolidated Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District is located in Wexford and Manistee Counties with its administrative offices located in Mesick, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, high school, special education and adult education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government–Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *FOOD SERVICE SPECIAL REVENUE FUND* accounts for revenue sources that are legally restricted to expenditures for food service.

The *OIL, GAS AND LAND LEASE CAPITAL PROJECTS FUND* accounts for the acquisition of fixed assets or construction of major capital projects.

This capital projects fund does not include capital project activities funded with a bond issued after May 1, 1994. Therefore, this capital project is not required to comply with the applicable provisions of §1351a of the Revised School Code.

Other Non-Major Funds

The *ATHLETIC ACTIVITIES SPECIAL REVENUE FUND* accounts for revenue sources that are legally restricted to expenditures for athletic purposes.

The *DEBT SERVICE FUND* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on a blended average of pupil membership counts taken in February

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

and September of 2007, 2006 and 2005. For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for Mesick Consolidated Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

- (h) Investment pools, as authorized by the Surplus Funds Investment Poll Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are deferred in the governmental fund financial statements as are not expected to be collected within 60 days of the end of the current fiscal period.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

| Fund | Mills |
|---|-------|
| General Fund – Non-homestead | 18.0 |
| Debt Service Fund – Homestead and non-homestead | 4.0 |

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The food service inventory consists of food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

| | |
|-------------------------------|---------------|
| Land improvements | 20 years |
| Buildings and additions | 20 - 50 years |
| Furniture and other equipment | 5 - 20 years |
| Textbooks and library books | 5 - 7 years |
| Transportation equipment | 10 years |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000 for all capital assets.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted or as amended by the School Board of Education during the year.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

General Fund – Instruction – Basic Program expenditures of \$3,857,086 exceeded appropriations of \$3,819,104. Supporting Services – General Administration expenditures of \$291,918 exceeded appropriations of \$270,959. Supporting Services – Operation and Maintenance expenditures of \$1,046,767 exceeded appropriations of \$1,027,306. Supporting Services – Pupil Transportation Services expenditures of \$520,291 exceeded appropriations of \$500,708.

Food Service Fund – Food Service Activities expenditures of \$374,651 exceeded appropriations of \$361,600.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments – Credit Risk

The District's deposits and investments are all on deposit with banks located in the State of Michigan and the Michigan School District Liquid Asset Fund Plus.

Investment rate risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

Credit risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$1,209,198 of the government's bank balance of \$1,764,125 was exposed to custodial credit risk because it was uninsured and uncollateralized.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds \$ 64,212

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

| | Deposits | Investments | Fiduciary Assets | Total |
|-------------|--------------------|------------------|---------------------|---------------------|
| Cash | \$1,358,496 | \$ 0 | \$ 95,386 | \$ 1,453,882 |
| Investments | 0 | 64,212 | 0 | 64,212 |
| | <u>\$1,358,496</u> | <u>\$ 64,212</u> | <u>\$ 95,386</u> | <u>\$ 1,518,094</u> |

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Nonmajor and Other Funds | Total |
|--------------------------|--------------------|--------------------------------|---------------------|
| Receivables | | | |
| Taxes | \$ 12,727 | \$ 7,876 | \$ 20,603 |
| Other Governmental Units | 1,071,755 | 0 | 1,071,755 |
| Total Receivables | <u>\$1,084,482</u> | <u>\$ 7,876</u> | <u>\$ 1,092,358</u> |

The allowance for doubtful accounts is not considered to be material for disclosure.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|-------------|-----------|
| Delinquent Property Taxes Receivable-General Fund | \$ 9,175 | \$ 0 |
| Delinquent Property Taxes Receivable-Debt Service Funds | 4,646 | 0 |
| Grant Receipts Received, But Not Yet Utilized | 0 | 13,636 |
| Total Deferred/Unearned Revenue for Governmental Funds | \$ 13,821 | \$ 13,636 |

C. Capital Assets

A summary of changes in the District's capital assets follows:

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|------------------------------|-------------------------|-----------|-----------|--------------------------|
| Assets not being depreciated | | | | |
| Land | \$ 200,631 | \$ 0 | \$ 0 | \$ 200,631 |
| Other Capital assets: | | | | |
| Land improvements | 410,960 | 0 | 0 | 410,960 |
| Buildings and additions | 8,275,372 | 207,230 | 0 | 8,482,602 |
| Machinery and equipment | 574,633 | 16,988 | 0 | 591,621 |
| Textbooks and library books | 383,278 | 0 | 84,245 | 299,033 |
| Transportation equipment | 877,391 | 70,622 | 0 | 948,013 |
| Subtotal | 10,521,634 | 294,840 | 84,245 | 10,732,229 |
| Accumulated Depreciation | | | | |
| Other Capital assets: | | | | |
| Land improvements | 236,821 | 16,514 | 0 | 253,335 |
| Buildings and additions | 1,847,165 | 142,337 | 0 | 1,989,502 |
| Machinery and equipment | 483,235 | 17,384 | 0 | 500,619 |
| Textbooks and Library | 245,057 | 53,765 | 84,245 | 214,577 |
| Transportation equipment | 635,592 | 60,297 | 0 | 695,889 |
| | 3,447,870 | 290,297 | 84,245 | 3,653,922 |
| Net other capital assets | 7,073,764 | 4,543 | 0 | 7,078,307 |
| Net capital assets | \$ 7,274,395 | \$ 4,543 | \$ 0 | \$ 7,278,938 |

Depreciation for the fiscal year ended June 30, 2008, amounted to \$290,297. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008:

| | Compensated Absences | Bonds | Total |
|--------------------------|-------------------------|--------------|--------------|
| Balance July 1, 2007 | \$ 218,755 | \$ 5,560,000 | \$ 5,778,755 |
| Additions | 4,621 | 0 | 4,621 |
| Deletions | 0 | 425,000 | 425,000 |
| Balance June 30, 2008 | 223,376 | 5,135,000 | 5,358,376 |
| Less Current Portion | 0 | 450,000 | 450,000 |
| Total Due After One Year | \$ 223,376 | \$ 4,685,000 | \$ 4,908,376 |

Long-term debt at June 30, 2008 is as follows:

2004 Refunding Bonds Due in Annual Installments of \$450,000 to \$550,000

Through May 1, 2018, Interest at 2.75% to 3.80% \$ 5,135,000

Compensated Absences 223,376

Total Long-Term \$ 5,358,376

The annual requirements to amortize debt outstanding as of June 30, 2008, including interest payments of \$1,034,550 are as follows:

| Year Ending June 30, | Principal | Interest | Amounts Payable |
|----------------------|---------------------|---------------------|---------------------|
| 2009 | \$ 450,000 | \$ 173,688 | \$ 623,688 |
| 2010 | 465,000 | 161,312 | 626,312 |
| 2011 | 480,000 | 147,362 | 627,362 |
| 2012 | 495,000 | 132,962 | 627,962 |
| 2013 | 515,000 | 116,876 | 631,876 |
| 2014-2017 | 2,730,000 | 302,350 | 3,032,350 |
| | 5,135,000 | 1,034,550 | 6,169,550 |
| Compensated Absences | 223,376 | 0 | 223,376 |
| | <u>\$ 5,358,376</u> | <u>\$ 1,034,550</u> | <u>\$ 6,392,926</u> |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The annual requirements to amortize the accrued sick leave are uncertain because it is unknown when the employees will use the sick leave.

E. Short-Term Debt

The District incurred no short-term debt activity for the year.

F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

| | Interfund Receivables | Interfund Payables |
|--|--------------------------|-----------------------|
| General Fund | \$ 164,243 | \$ 0 |
| School Service Fund - Food Service Fund | 0 | 145,153 |
| Capital Projects Fund - Oil, Gas and Land Lease Fund | 0 | 15,791 |
| Debt Retirement Fund | 0 | 3,299 |
| | <u>\$ 164,243</u> | <u>\$ 164,243</u> |

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2008, were:

| | Transfers In | Transfers Out |
|---|-------------------|-------------------|
| General Fund | \$ 0 | \$ 333,543 |
| School Service Fund - Food Service Fund | 26,400 | 0 |
| School Service Fund - Athletic Activities | 169,780 | 0 |
| Oil, Gas and Land Lease Capital Projects Fund | 137,363 | 0 |
| | <u>\$ 333,543</u> | <u>\$ 333,543</u> |

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

G. Designated and Reserved Fund Balance

The School has designated the General Fund balance as follows:

1. Compensated Absences

The contracts with teachers and non-teaching personnel have various provisions for the accumulation of compensated absences. Upon retirement or termination, if the employee has met

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

certain contract provisions, the employee may receive a cash payment for the accumulated benefits. At June 30, 2008, the liability to the employees for accumulated sick leave and/or early retirement and related fringe benefits is estimated at \$223,376 as of June 30, 2008, the School has designated \$200,000 of its General Fund balance towards paying this future long-term obligation.

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% from July 1, 2007 to September 30, 2007 and 16.72% from October 1, 2007 to June 30, 2008.

The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007 and 2006 were \$679,200, \$688,067 and \$644,449 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

B. Single Audit Report

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under separate cover.

C. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

D. Lease Information

The rental expense for the year ended June 30, 2008 was \$8,686.

The rental expense consists of lease agreements on copiers and a postage meter. The future minimum lease payments for these leases are as follows:

| <u>YEAR ENDING</u> | <u>AMOUNTS</u> |
|--------------------|------------------|
| 2009 | \$ 8,578 |
| 2010 | 8,578 |
| 2011 | 8,578 |
| 2012 | 8,578 |
| 2013 | 4,289 |
| Total | <u>\$ 38,601</u> |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

E. "Durant" Case Settlement

The school district accepted an offer made by the State of Michigan to all "non-plaintiff" school districts for settlement of the "Durant" case, which was a suit alleging underfunding by the State of Michigan for State mandated special education programs. Mesick Consolidated Schools will receive a total settlement from this case of \$88,208, and the State will pay it in the following manner:

- (a) 50% of the settlement (or \$44,104) will be paid to the District over a ten-year period beginning November 15, 1998. These funds are restricted and can be used only for school buses, electronic technology, instructional material and software, school security, textbooks, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.
- (b) 50% of the settlement (or \$44,104) will be paid to the District over a fifteen-year period beginning May 15, 1999. These funds are also restricted and can be used only for the following items and in the order presented:
 - (i) reduce or eliminate voter-approved debt issued prior to 11/19/97.
 - (ii) reduce or eliminate other limited tax obligation debt.
 - (iii) deposit into a sinking fund.

The School District has approved using their settlement funds for technology and reduction of bonded indebtedness.

F. Sale of Future Revenues

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Wexford and Manistee County treasurers. For the 2007 tax roll the District received a lump sum payment of \$138,485 for general operating tax revenues and \$78,698 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the District will have to repay the county.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND AND FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2008

| | GENERAL FUND | | |
|--|--------------------|-----------------|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL AMOUNTS BUDGETARY BASIS |
| <u>REVENUES</u> | | | |
| Local Sources | \$ 1,263,885 | \$ 1,222,287 | \$ 1,256,150 |
| State Sources | 5,104,850 | 5,330,950 | 5,335,952 |
| Federal Sources | 469,208 | 532,660 | 502,635 |
| Other Transactions | 286,400 | 100,261 | 138,359 |
| Total Revenues | 7,124,343 | 7,186,158 | 7,233,096 |
| <u>EXPENDITURES</u> | | | |
| Instruction | | | |
| Basic Programs | 3,804,467 | 3,819,104 | 3,857,086 |
| Added Needs | 874,112 | 957,853 | 896,655 |
| Adult/Continuing Education | 0 | 3,900 | 0 |
| Supporting Services | | | |
| Pupil | 188,066 | 223,555 | 214,860 |
| Instructional Staff | 185,785 | 189,844 | 173,742 |
| General Administration | 293,564 | 270,959 | 291,918 |
| School Administration | 448,858 | 452,719 | 437,868 |
| Business | 101,093 | 107,109 | 106,192 |
| Operation and Maintenance | 816,442 | 1,027,306 | 1,046,767 |
| Pupil Transportation Services | 489,409 | 500,708 | 520,291 |
| Central Services | 229,918 | 251,199 | 249,372 |
| Food Service | 0 | 0 | 0 |
| Total Expenditures | 7,431,714 | 7,804,256 | 7,794,751 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (307,371) | (618,098) | (561,655) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Proceeds from the Sale of Capital Assets | 0 | 500 | 0 |
| Transfers In | 0 | 62,500 | |
| Transfers Out | (210,000) | (395,000) | (333,543) |
| Total Other Financing Sources (Uses) | (210,000) | (332,000) | (333,543) |
| Net Change in Fund Balance | (517,371) | (950,098) | (895,198) |
| <u>FUND BALANCE</u> - Beginning of Year | 1,662,828 | 1,863,512 | 2,100,213 |
| <u>FUND BALANCE</u> - End of Year | \$ 1,145,457 | \$ 913,414 | \$ 1,205,015 |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND AND FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2008

FOOD SERVICE FUND

| | | ACTUAL AMOUNTS BUDGETARY BASIS |
|--------------------|-----------------|---|
| ORIGINAL BUDGET | FINAL BUDGET | |
| \$ 101,500 | \$ 101,500 | \$ 106,524 |
| 12,200 | 12,200 | 16,646 |
| 187,000 | 187,000 | 208,131 |
| 0 | 0 | 0 |
| 300,700 | 300,700 | 331,301 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 361,600 | 361,600 | 374,651 |
| 361,600 | 361,600 | 374,651 |
| (60,900) | (60,900) | (43,350) |
| 0 | 0 | 0 |
| 50,000 | 50,000 | 26,400 |
| 0 | 0 | 0 |
| 50,000 | 50,000 | 26,400 |
| (10,900) | (10,900) | (16,950) |
| 17,139 | 17,139 | 17,139 |
| \$ 6,239 | \$ 6,239 | \$ 189 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2008

| | ATHLETIC ACTIVITIES FUND | DEBT FUND | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|--------------------------------|--------------|--|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 6,065 | \$ 152,652 | \$ 158,717 |
| Taxes Receivable | 0 | 7,876 | 7,876 |
| <hr/> | | | |
| TOTAL ASSETS | \$ 6,065 | \$ 160,528 | \$ 166,593 |
| <hr/> | | | |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>LIABILITIES</u> | | | |
| Due to Other Funds | \$ 0 | \$ 3,299 | \$ 3,299 |
| Deferred Revenue | 0 | 4,646 | 4,646 |
| <hr/> | | | |
| Total Liabilities | 0 | 7,945 | 7,945 |
| <hr/> | | | |
| <u>FUND BALANCE</u> | | | |
| Reserved for Debt Retirement | 0 | 152,583 | 152,583 |
| Unreserved, Undesignated | 6,065 | 0 | 6,065 |
| <hr/> | | | |
| Total Fund Balances | 6,065 | 152,583 | 158,648 |
| <hr/> | | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 6,065 | \$ 160,528 | \$ 166,593 |
| <hr/> | | | |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2008

| | ATHLETIC ACTIVITIES FUND | DEBT FUND | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|--------------------------------|--------------|--|
| <u>REVENUES</u> | | | |
| Local Sources | \$ 24,307 | \$ 592,576 | \$ 616,883 |
| State Sources | 0 | 2,940 | 2,940 |
| Total Revenues | 24,307 | 595,516 | 619,823 |
| <u>EXPENDITURES</u> | | | |
| Athletic Activities | 191,746 | 0 | 191,746 |
| Debt Service | | | |
| Principal | 0 | 425,000 | 425,000 |
| Interest | 0 | 183,250 | 183,250 |
| Other Transactions | 0 | 1,920 | 1,920 |
| Total Expenditures | 191,746 | 610,170 | 801,916 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (167,439) | (14,654) | (182,093) |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Transfers In | 169,780 | 0 | 169,780 |
| Net Change in Fund Balance | 2,341 | (14,654) | (12,313) |
| <u>FUND BALANCE</u> - Beginning of Year | 3,724 | 167,237 | 170,961 |
| <u>FUND BALANCE</u> - End of Year | \$ 6,065 | \$ 152,583 | \$ 158,648 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

| | <u>ASSETS</u> | | 2008 | 2007 |
|------------------------------------|-------------------------------------|-----------|------|-----------|
| Cash and Cash Equivalents | \$ | 574,785 | \$ | 1,527,127 |
| Taxes Receivable | | 12,727 | | 14,026 |
| Due from Other Funds | | 164,243 | | 133,468 |
| Due from Other Governmental Units | | 1,071,755 | | 1,130,853 |
| Prepaid Expenses | | 0 | | 36,701 |
| Investments | | 64,212 | | 61,657 |
| | | | | |
| TOTAL ASSETS | \$ | 1,887,722 | \$ | 2,903,832 |
| | | | | |
| | <u>LIABILITIES AND FUND BALANCE</u> | | | |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ | 66,646 | \$ | 46,986 |
| Salaries Payable | | 468,349 | | 435,846 |
| Accrued Expenses | | 127,003 | | 249,967 |
| Deferred Revenue | | 20,709 | | 70,820 |
| | | | | |
| Total Liabilities | | 682,707 | | 803,619 |
| | | | | |
| <u>FUND BALANCE</u> | | | | |
| Reserved | | | | |
| Prepaid Expenses | | 0 | | 36,701 |
| Unreserved | | | | |
| Designated for: | | | | |
| Compensated Absences | | 200,000 | | 200,000 |
| Undesignated | | 1,005,015 | | 1,863,512 |
| | | | | |
| Total Fund Balance | | 1,205,015 | | 2,100,213 |
| | | | | |
| TOTAL LIABILITIES AND FUND BALANCE | \$ | 1,887,722 | \$ | 2,903,832 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|--|--------------|--------------|--------------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>REVENUES</u> | | | |
| Local Sources | \$ 1,222,287 | \$ 1,256,150 | \$ 1,158,001 |
| State Sources | 5,330,950 | 5,335,952 | 5,586,057 |
| Federal Sources | 532,660 | 502,635 | 483,151 |
| Other Transactions | 100,261 | 138,359 | 182,853 |
| Total Revenues | 7,186,158 | 7,233,096 | 7,410,062 |
| <u>EXPENDITURES</u> | | | |
| Instruction | | | |
| Basic Programs | 3,819,104 | 3,857,086 | 3,826,244 |
| Added Needs | 957,853 | 896,655 | 850,085 |
| Adult/Continuing Education | 3,900 | 0 | 6,114 |
| Supporting Services | | | |
| Pupil | 223,555 | 214,860 | 180,050 |
| Instructional Staff | 189,844 | 173,742 | 201,238 |
| General Administration | 270,959 | 291,918 | 286,330 |
| School Administration | 452,719 | 437,868 | 430,456 |
| Business | 107,109 | 106,192 | 86,742 |
| Operations and Maintenance | 1,027,306 | 1,046,767 | 804,541 |
| Pupil Transportation Services | 500,708 | 520,291 | 417,826 |
| Central Services | 251,199 | 249,372 | 265,909 |
| Total Expenditures | 7,804,256 | 7,794,751 | 7,355,535 |
| Excess of Revenues Over (Under) Expenditures | (618,098) | (561,655) | 54,527 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Proceeds from the Sale of Capital Assets | 500 | 0 | 500 |
| Extraordinary Reimbursement | 0 | 0 | 50,000 |
| Transfers In | 62,500 | 0 | 0 |
| Transfers Out | (395,000) | (333,543) | (223,935) |
| Total Other Financing Sources (Uses) | (332,000) | (333,543) | (173,435) |
| Net Change in Fund Balance | (950,098) | (895,198) | (118,908) |
| <u>FUND BALANCE</u> - Beginning of Year | 1,863,512 | 2,100,213 | 2,219,121 |
| <u>FUND BALANCE</u> - End of Year | \$ 913,414 | \$ 1,205,015 | \$ 2,100,213 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN
GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|---|--------------|--------------|--------------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>LOCAL SOURCES</u> | | | |
| Property Taxes | | | |
| Current Levy | \$ 1,107,585 | \$ 1,108,287 | \$ 1,035,576 |
| Penalties and Interest on Delinquent Taxes | 0 | 35 | 270 |
| Commercial Forest | 300 | 282 | 309 |
| Transportation | 7,000 | 9,146 | 7,274 |
| Earnings on Investments and Deposits | 27,000 | 42,708 | 66,834 |
| Other Local Revenues | | | |
| Rentals | 15,700 | 21,364 | 18,863 |
| Universal Service Fund Reimbursements | 26,702 | 26,703 | 13,050 |
| Miscellaneous | 38,000 | 47,625 | 15,825 |
| | | | |
| Total Local Sources | 1,222,287 | 1,256,150 | 1,158,001 |
| <u>STATE SOURCES</u> | | | |
| Grants-In-Aid Unrestricted | | | |
| State School Aid | | | |
| Foundation Allowance - Regular | 4,956,700 | 4,818,068 | 5,006,201 |
| Foundation Allowance- Special Education | 0 | 127,944 | 155,573 |
| Renaissance Zone | 3,730 | 3,729 | 8,103 |
| Equity Payment | 0 | 0 | 20,074 |
| Prior Years Adjustments | 0 | 0 | 3,573 |
| Grants-In-Aid Restricted | | | |
| State School Aid | | | |
| At Risk | 199,510 | 215,201 | 216,277 |
| Durant Non-Plaintiff Settlement | 4,410 | 4,410 | 4,410 |
| Middle School Math | 0 | 0 | 10,162 |
| Received Through Intermediate School District | | | |
| Early Childhood | 166,600 | 166,600 | 161,684 |
| | | | |
| Total State Sources | 5,330,950 | 5,335,952 | 5,586,057 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN
GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|---|--------------|--------------|--------------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>FEDERAL SOURCES</u> | | | |
| Grants-In-Aid Restricted | | | |
| Received Through the State | | | |
| Safe and Drug Free Schools | 5,563 | 5,563 | 5,727 |
| Title I | 282,486 | 260,200 | 239,862 |
| Title IIA - Improving Teacher Quality | 63,324 | 63,324 | 63,177 |
| Title IID - Technology Literacy Challenge | 2,534 | 2,534 | 2,587 |
| Title V - LEA Allocation | 3,306 | 3,306 | 3,451 |
| Title VI | 25,321 | 25,321 | 0 |
| Reading First Grant | 135,000 | 127,176 | 133,000 |
| Service Provider Self Review | 0 | 0 | 3,379 |
| Elementary and Secondary Education Hurricane | | | |
| Relief for Displaced Students | 0 | 0 | 758 |
| Received Through Intermediate School District | | | |
| Medicaid Outreach | 5,146 | 5,229 | 6,037 |
| Payments in Lieu of Taxes | | | |
| National Forest | 9,980 | 9,982 | 25,173 |
| Total Federal Sources | 532,660 | 502,635 | 483,151 |
| <u>OTHER TRANSACTIONS</u> | | | |
| Transfers from Other School Districts | | | |
| Pre-K Transportation | 0 | 0 | 5,990 |
| Special Education - Added Cost | 74,280 | 108,970 | 68,291 |
| Special Education - Cost Reimbursement | 0 | 0 | 88 |
| Medicaid Caseload Coordination | 9,485 | 9,485 | 31,246 |
| Transition Mini Grant | 0 | 0 | 1,386 |
| Tech Ed Grant | 0 | 0 | 52,400 |
| Other | 600 | 3,785 | 802 |
| Refund of Prior Year Expense | 15,896 | 16,119 | 22,650 |
| Total Other Transactions | 100,261 | 138,359 | 182,853 |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Proceeds From the Sale of Capital Assets | 500 | 0 | 500 |
| Extraordinary Reimbursement | 0 | 0 | 50,000 |
| Transfer In - Oil and Gas Capital Projects | 62,500 | 0 | 0 |
| Total Other Financing Sources | 63,000 | 0 | 50,500 |
| TOTAL REVENUES | \$ 7,249,158 | \$ 7,233,096 | \$ 7,460,562 |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|---------------------------|------------|------------|------------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>Instruction</u> | | | |
| <u>Basic Programs</u> | | | |
| <u>Elementary</u> | | | |
| Salaries | \$ 832,353 | \$ 842,475 | \$ 759,254 |
| Employee Benefits | 453,146 | 455,126 | 433,974 |
| Purchased Services | 31,100 | 30,952 | 1,039 |
| Supplies and Materials | 26,350 | 25,963 | 27,737 |
| Other Expense | 200 | 159 | 0 |
| Total Elementary | 1,343,149 | 1,354,675 | 1,222,004 |
| <u>Middle/Junior High</u> | | | |
| Salaries | 678,379 | 687,907 | 717,023 |
| Employee Benefits | 357,195 | 371,910 | 407,769 |
| Purchased Services | 16,800 | 17,064 | 699 |
| Supplies and Materials | 19,200 | 19,378 | 33,823 |
| Capital Outlay | 1,500 | 776 | 5,276 |
| Other Expense | 1,325 | 1,225 | 475 |
| Total Middle/Junior High | 1,074,399 | 1,098,260 | 1,165,065 |
| <u>High School</u> | | | |
| Salaries | 733,822 | 741,718 | 739,316 |
| Employee Benefits | 390,409 | 394,412 | 419,141 |
| Purchased Services | 44,925 | 47,721 | 51,106 |
| Supplies and Materials | 65,050 | 52,582 | 53,122 |
| Capital Outlay | 100 | 508 | 13,935 |
| Other Expense | 650 | 610 | 871 |
| Total High School | 1,234,956 | 1,237,551 | 1,277,491 |
| <u>Pre-School</u> | | | |
| Purchased Services | 166,600 | 166,600 | 161,684 |
| <u>Added Needs</u> | | | |
| <u>Special Education</u> | | | |
| Salaries | 309,221 | 295,152 | 285,442 |
| Employee Benefits | 154,099 | 134,995 | 134,897 |
| Purchased Services | 4,050 | 3,058 | 9,668 |
| Supplies and Materials | 900 | 472 | 1,810 |
| Other Expense | 775 | 145 | 1,301 |
| Total Special Education | 469,045 | 433,822 | 433,118 |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|---|---------|---------|---------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>Compensatory Education</u> | | | |
| Salaries | 234,873 | 173,751 | 161,234 |
| Employee Benefits | 124,375 | 81,105 | 112,676 |
| Purchased Services | 60,688 | 2,366 | 3,508 |
| Supplies and Materials | 68,872 | 57,804 | 1,927 |
| Capital Outlay | 0 | 0 | 769 |
| Total Compensatory Education | 488,808 | 315,026 | 280,114 |
| <u>Compensatory Education - At Risk</u> | | | |
| Salaries | 0 | 56,992 | 58,875 |
| Employee Benefits | 0 | 34,201 | 53,596 |
| Purchased Services | 0 | 47,224 | 17,604 |
| Supplies and Materials | 0 | 309 | 1,433 |
| Total Compensatory Education-At Risk | 0 | 138,726 | 131,508 |
| <u>Drug Free Schools</u> | | | |
| Purchased Services | 0 | 8,938 | 3,723 |
| Supplies and Materials | 0 | 143 | 1,622 |
| Total Drug Free Schools | 0 | 9,081 | 5,345 |
| <u>Adult/Continuing Education</u> | | | |
| <u>Secondary Adult Education</u> | | | |
| Salaries | 3,100 | 0 | 4,863 |
| Employee Benefits | 800 | 0 | 1,251 |
| Total Secondary Adult Education | 3,900 | 0 | 6,114 |
| <u>Supporting Services</u> | | | |
| <u>Pupil</u> | | | |
| <u>Guidance Services</u> | | | |
| Salaries | 41,602 | 42,253 | 39,038 |
| Employee Benefits | 26,178 | 26,357 | 26,164 |
| Purchased Services | 650 | 265 | 0 |
| Supplies and Materials | 850 | 720 | 802 |
| Other Expenses | 0 | 50 | 90 |
| Total Guidance Services | 69,280 | 69,645 | 66,094 |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|-------------------------------------|---------|---------|---------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>Health Services</u> | | | |
| Supplies and Materials | 100 | 0 | 0 |
| Total Health Services | 100 | 0 | 0 |
| <u>Social Work Services</u> | | | |
| Salaries | 101,327 | 100,479 | 94,861 |
| Employee Benefits | 45,739 | 37,289 | 14,163 |
| Total Social Work Services | 147,066 | 137,768 | 109,024 |
| <u>Other Pupil Support Services</u> | | | |
| Salaries | 5,179 | 5,212 | 2,475 |
| Employee Benefits | 730 | 1,066 | 628 |
| Supplies and Materials | 1,200 | 1,169 | 1,829 |
| Total Other Pupil Support Services | 7,109 | 7,447 | 4,932 |
| <u>Instructional Staff</u> | | | |
| <u>Improvement of Instruction</u> | | | |
| Salaries | 55,292 | 54,326 | 64,413 |
| Employee Benefits | 29,051 | 28,922 | 32,149 |
| Purchased Services | 27,449 | 22,416 | 12,267 |
| Supplies and Materials | 32,378 | 29,296 | 35,183 |
| Other Expense | 200 | 185 | 69 |
| Total Improvement of Instruction | 144,370 | 135,145 | 144,081 |
| <u>Educational Media Services</u> | | | |
| Salaries | 24,414 | 23,963 | 23,301 |
| Employee Benefits | 10,620 | 10,057 | 25,055 |
| Purchased Services | 1,690 | 1,519 | 1,831 |
| Supplies and Materials | 4,050 | 2,658 | 4,086 |
| Total Educational Media Services | 40,774 | 38,197 | 54,273 |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|---|---------|---------|---------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>Supervision and Direction of Instructional Staff</u> | | | |
| Salaries | 4,700 | 400 | 2,400 |
| Employee Benefits | 0 | 0 | 484 |
| Total Supervision and Direction of Instructional Staff | 4,700 | 400 | 2,884 |
| <u>General Administration</u> | | | |
| <u>Board of Education</u> | | | |
| Employee Benefits | 75 | 47 | 67 |
| Purchased Services | 50,600 | 77,110 | 76,907 |
| Supplies and Materials | 12,800 | 10,103 | 9,870 |
| Other Expense | 3,560 | 3,681 | 4,080 |
| Total Board of Education | 67,035 | 90,941 | 90,924 |
| <u>Executive Administration</u> | | | |
| Salaries | 143,271 | 142,332 | 139,899 |
| Employee Benefits | 56,828 | 55,418 | 51,308 |
| Purchased Services | 1,900 | 1,810 | 1,785 |
| Supplies and Materials | 800 | 344 | 783 |
| Capital Outlay | 0 | 0 | 592 |
| Other Expense | 1,125 | 1,073 | 1,039 |
| Total Executive Administration | 203,924 | 200,977 | 195,406 |
| <u>School Administration</u> | | | |
| <u>Office of the Principal</u> | | | |
| Salaries | 244,810 | 236,507 | 230,806 |
| Employee Benefits | 121,016 | 115,013 | 113,816 |
| Purchased Services | 78,283 | 78,319 | 77,788 |
| Supplies and Materials | 7,300 | 6,847 | 6,278 |
| Capital Outlay | 260 | 260 | 878 |
| Other Expenses | 1,050 | 922 | 890 |
| Total Office of the Principal | 452,719 | 437,868 | 430,456 |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|--------------------------------------|-----------|-----------|---------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>Business</u> | | | |
| <u>Fiscal Services</u> | | | |
| Salaries | 47,516 | 46,660 | 42,095 |
| Employee Benefits | 24,123 | 23,846 | 22,166 |
| Purchased Services | 7,800 | 1,819 | 2,190 |
| Supplies and Materials | 6,700 | 5,577 | 4,422 |
| Capital Outlay | 500 | 444 | 892 |
| Other Expense | 200 | 124 | 124 |
| Total Fiscal Services | 86,839 | 78,470 | 71,889 |
| <u>Other Business Services</u> | | | |
| Purchased Services | 17,000 | 16,915 | 14,853 |
| Taxes Abated / Written Off | 3,270 | 10,807 | 0 |
| Total Other Business Services | 20,270 | 27,722 | 14,853 |
| <u>Operations and Maintenance</u> | | | |
| Salaries | 246,825 | 246,498 | 245,033 |
| Employee Benefits | 132,333 | 131,953 | 128,235 |
| Purchased Services | 376,248 | 395,184 | 377,874 |
| Supplies and Materials | 48,200 | 48,054 | 48,692 |
| Capital Outlay | 222,740 | 224,218 | 4,362 |
| Other Expenses | 960 | 860 | 345 |
| Total Operations and Maintenance | 1,027,306 | 1,046,767 | 804,541 |
| <u>Pupil Transportation Services</u> | | | |
| Salaries | 179,038 | 179,237 | 174,610 |
| Employee Benefits | 128,205 | 127,109 | 119,772 |
| Purchased Services | 114,693 | 136,825 | 113,371 |
| Supplies and Materials | 7,600 | 5,961 | 7,176 |
| Capital Outlay | 70,622 | 70,622 | 2,405 |
| Other Expense | 550 | 537 | 492 |
| Total Pupil Transportation Services | 500,708 | 520,291 | 417,826 |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|--|--------------|--------------|--------------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>Central Services</u> | | | |
| <u>Staff Personnel Services</u> | | | |
| Purchased Services | 200 | 180 | 585 |
| Other Expense | 1,400 | 1,479 | 8,997 |
| Total Staff Personnel Services | 1,600 | 1,659 | 9,582 |
| | | | |
| <u>Support Services Technology</u> | | | |
| Salaries | 87,099 | 85,776 | 86,435 |
| Employee Benefits | 53,361 | 54,219 | 52,547 |
| Purchased Services | 53,407 | 52,591 | 30,370 |
| Supplies and Materials | 14,982 | 14,815 | 32,267 |
| Capital Outlay | 40,700 | 40,286 | 54,708 |
| Other Expense | 50 | 26 | 0 |
| Total Support Services Technology | 249,599 | 247,713 | 256,327 |
| | | | |
| Total Expenditures | 7,804,256 | 7,794,751 | 7,355,535 |
| | | | |
| <u>OTHER FINANCING USES</u> | | | |
| <u>Transfers Out</u> | | | |
| Oil & Gas Capital Projects | 200,000 | 137,363 | 0 |
| School Service Funds | | | |
| Food Service | 23,000 | 26,400 | 40,800 |
| Athletic Activities | 172,000 | 169,780 | 183,135 |
| Total Other Financing Uses | 395,000 | 333,543 | 223,935 |
| | | | |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 8,199,256 | \$ 8,128,294 | \$ 7,579,470 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 144,219 | \$ 148,246 |
| Inventory | 3,225 | 3,207 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 147,444</u> | <u>\$ 151,453</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Due to Other Funds | \$ 145,153 | \$ 132,225 |
| Deferred Revenue | 2,102 | 2,089 |
| | <hr/> | <hr/> |
| Total Liabilities | <u>147,255</u> | <u>134,314</u> |
| <u>FUND BALANCE</u> | | |
| Reserved for Inventory | 3,225 | 3,207 |
| Unreserved, Undesignated | (3,036) | 13,932 |
| | <hr/> | <hr/> |
| Total Fund Balance | <u>189</u> | <u>17,139</u> |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 147,444</u> | <u>\$ 151,453</u> |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|--|------------|-----------|-----------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>REVENUES</u> | | | |
| Local Sources | | | |
| Food Sales | | | |
| Pupils | \$ 101,500 | \$ 57,171 | \$ 63,333 |
| Adults | 0 | 5,596 | 5,972 |
| Ala Carte | 0 | 3,749 | 3,858 |
| Catering | 0 | 20,457 | 17,155 |
| Vending | 0 | 8,534 | 6,542 |
| Earnings on Investments and Deposits | 0 | 464 | 389 |
| Miscellaneous | 0 | 10,553 | 12,861 |
| State Sources | | | |
| State Aid | 12,200 | 11,784 | 11,106 |
| Breakfast Program | 0 | 4,862 | 2,629 |
| Federal Sources | | | |
| Federal Aid | 187,000 | 184,643 | 173,470 |
| U.S.D.A. Commodities | | | |
| Entitlement | 0 | 22,814 | 18,473 |
| Bonus | 0 | 674 | 45 |
| Total Revenues | 300,700 | 331,301 | 315,833 |
| <u>EXPENDITURES</u> | | | |
| Salaries | 128,195 | 126,462 | 116,346 |
| Employee Benefits | 66,755 | 67,270 | 62,234 |
| Purchased Services | 13,000 | 12,948 | 11,306 |
| Supplies and Materials | 147,200 | 161,603 | 146,305 |
| Capital Outlay | 5,000 | 4,620 | 9,282 |
| Other Expenses | 1,450 | 1,748 | 1,177 |
| Total Expenditures | 361,600 | 374,651 | 346,650 |
| Excess of Revenues Over (Under) Expenditures | (60,900) | (43,350) | (30,817) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | | | |
| General Fund | 46,600 | 23,000 | 37,400 |
| General Fund - At Risk | 3,400 | 3,400 | 3,400 |
| Total Other Financing Sources (Uses) | 50,000 | 26,400 | 40,800 |
| Net Change in Fund Balance | (10,900) | (16,950) | 9,983 |
| <u>FUND BALANCE</u> - Beginning of Year | 17,139 | 17,139 | 7,156 |
| <u>FUND BALANCE</u> - End of Year | \$ 6,239 | \$ 189 | \$ 17,139 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-----------------|-----------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | <u>\$ 6,065</u> | <u>\$ 3,724</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | \$ 0 | \$ 0 |
| <u>FUND BALANCE</u> | | |
| Unreserved, Undesignated | <u>6,065</u> | <u>3,724</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 6,065</u> | <u>\$ 3,724</u> |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ATHLETIC ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|--|-----------|-----------|-----------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>REVENUES</u> | | | |
| Local Sources | | | |
| Admissions | | | |
| Regular Events | \$ 25,000 | \$ 21,230 | \$ 26,152 |
| Tournaments | 0 | 646 | 2,790 |
| Entry Fees | 1,900 | 2,180 | 1,895 |
| Earnings on Investments and Deposits | 0 | 1 | 13 |
| Reimbursements and Miscellaneous | 0 | 250 | 1,127 |
| | | | |
| Total Revenues | 26,900 | 24,307 | 31,977 |
| | | | |
| <u>EXPENDITURES</u> | | | |
| Salaries | 108,362 | 102,381 | 104,388 |
| Employee Benefits | 47,126 | 46,233 | 51,204 |
| Purchased Services | 27,350 | 24,428 | 25,254 |
| Supplies and Materials | 24,860 | 15,888 | 24,134 |
| Capital Outlay | 10,000 | 1,900 | 7,617 |
| Other Expenses | 2,100 | 916 | 1,974 |
| | | | |
| Total Expenditures | 219,798 | 191,746 | 214,571 |
| | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (192,898) | (167,439) | (182,594) |
| | | | |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In - General Fund | 190,000 | 169,780 | 183,135 |
| | | | |
| Net Change in Fund Balance | (2,898) | 2,341 | 541 |
| | | | |
| <u>FUND BALANCE</u> - Beginning of Year | 3,724 | 3,724 | 3,183 |
| | | | |
| <u>FUND BALANCE</u> - End of Year | \$ 826 | \$ 6,065 | \$ 3,724 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

DEBT RETIREMENT FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 152,652 | \$ 164,839 |
| Taxes Receivable | 7,876 | 8,045 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 160,528</u> | <u>\$ 172,884</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Due to Other Funds | \$ 3,299 | \$ 225 |
| Deferred Revenue | 4,646 | 5,422 |
| | <hr/> | <hr/> |
| Total Liabilities | <u>7,945</u> | <u>5,647</u> |
| <u>FUND BALANCE</u> | | |
| Reserved for Debt Retirement | <u>152,583</u> | <u>167,237</u> |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 160,528</u> | <u>\$ 172,884</u> |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|-------------------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Property Taxes | | |
| Current Year Levy | \$ 580,526 | \$ 571,821 |
| Collections on Prior Years | 776 | 611 |
| Industrial Facilities and Renaissance Zone Taxes | 3,749 | 2,905 |
| Penalties and Interest on Delinquent Tax | 18 | 22 |
| Earnings on Investments and Deposits | <u>7,507</u> | <u>9,898</u> |
| Total Local Sources | 592,576 | 585,257 |
| State Sources | | |
| State School Aid - Durant | <u>2,940</u> | <u>2,940</u> |
| Total Revenues | <u>595,516</u> | <u>588,197</u> |
| <u>EXPENDITURES</u> | | |
| Redemption of Serial Bonds | 425,000 | 395,000 |
| Interest on Debt | 183,250 | 191,150 |
| Paying Agent Fees and Other | 297 | 315 |
| Taxes Abated and Written Off | <u>1,623</u> | <u>2,606</u> |
| Total Expenditures | <u>610,170</u> | <u>589,071</u> |
| Net Change in Fund Balance | (14,654) | (874) |
| <u>FUND BALANCE</u> - Beginning of Year | <u>167,237</u> | <u>168,111</u> |
| <u>FUND BALANCE</u> - End of Year | <u>\$ 152,583</u> | <u>\$ 167,237</u> |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

OIL, GAS AND LAND LEASE CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | <u>\$ 480,775</u> | <u>\$ 347,993</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Due to Other Funds | \$ 15,791 | \$ 1,018 |
| <u>FUND BALANCE</u> | | |
| Unreserved | | |
| Undesignated | <u>464,984</u> | <u>346,975</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 480,775</u> | <u>\$ 347,993</u> |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

OIL, GAS AND LAND LEASE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

| | 2008 | | 2007 |
|--|------------|------------|------------|
| | BUDGET | ACTUAL | ACTUAL |
| <u>REVENUES</u> | | | |
| Local Sources | | | |
| Earnings on Investments and Deposits | \$ 13,200 | \$ 10,053 | \$ 11,380 |
| <u>EXPENDITURES</u> | | | |
| Contracted Services | 25,000 | 31,607 | 20,282 |
| Capital Outlay | 8,000 | 0 | 8,550 |
| Total Expenditures | 33,000 | 31,607 | 28,832 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (19,800) | (21,554) | (17,452) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers Out - General Fund | (62,500) | 0 | 0 |
| Transfers In - General Fund | 0 | 137,363 | 0 |
| Sale of Timber | 0 | 2,200 | 97,500 |
| Total Other Financing Sources (Uses) | (62,500) | 139,563 | 97,500 |
| Net Change in Fund Balance | (82,300) | 118,009 | 80,048 |
| <u>FUND BALANCE</u> - Beginning of Year | 346,975 | 346,975 | 266,927 |
| <u>FUND BALANCE</u> - End of Year | \$ 264,675 | \$ 464,984 | \$ 346,975 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

| | BALANCE 7/1/2007 | RECEIPTS (Including Transfers) | DISBURSEMENTS | BALANCE 6/30/2008 |
|----------------------------|---------------------|-----------------------------------|---------------|----------------------|
| Adult Education Club | \$ 450 | \$ 0 | 0 | 450 |
| Annual | 2,536 | 12,979 | 15,466 | 49 |
| Art | 0 | 544 | 495 | 49 |
| Athletic Fundraisers | 1,104 | 7,926 | 7,934 | 1,096 |
| Band | 303 | 2,812 | 2,992 | 123 |
| Band Boosters | 765 | 27,404 | 19,228 | 8,941 |
| Book Fair | 174 | 0 | 0 | 174 |
| Bus Drivers | 3,060 | 138 | 164 | 3,034 |
| Class of 2005 | 1,586 | 0 | 0 | 1,586 |
| Class of 2006 | 839 | 27 | 0 | 866 |
| Class of 2007 | 345 | 0 | 48 | 297 |
| Class of 2008 | 1,164 | 7,082 | 6,209 | 2,037 |
| Class of 2009 | 8,328 | 7,915 | 11,253 | 4,990 |
| Class of 2010 | 647 | 3,688 | 1,180 | 3,155 |
| Class of 2011 | 0 | 739 | 0 | 739 |
| Ed Foundation | 0 | 1,302 | 0 | 1,302 |
| Enviro Science Club | 1,251 | 0 | 0 | 1,251 |
| Forestry Account | 1,317 | 0 | 0 | 1,317 |
| General | 2,589 | 21,469 | 18,357 | 5,701 |
| Happy Hand | 13,203 | 1,696 | 1,807 | 13,092 |
| MS Student Council | 2,154 | 1,242 | 848 | 2,548 |
| National Honor Society | 101 | 4,619 | 4,652 | 68 |
| OM | 1,923 | 0 | 0 | 1,923 |
| Pop Account | 754 | 1,870 | 1,751 | 873 |
| Pop Account-Middle School | 5,263 | 9,188 | 11,485 | 2,966 |
| Pop Account-Superintendent | 22,685 | 2,668 | 17,486 | 7,867 |
| Project Hero | 391 | 0 | 0 | 391 |
| PTO | 2,566 | 24,271 | 25,921 | 916 |
| NOT Account | 302 | 0 | 0 | 302 |
| Orange & Black Club | 4,624 | 16,623 | 16,945 | 4,302 |
| Ski Club | 423 | 736 | 820 | 339 |
| Speech | 2,256 | 2,908 | 2,872 | 2,292 |
| Student Council | 3,113 | 3,556 | 2,642 | 4,027 |
| Varsity | 1,401 | 0 | 0 | 1,401 |
| Leo's Club | 363 | 164 | 492 | 35 |
| Courtyard Grant | 24 | 0 | 0 | 24 |
| Manufacturing Class | 2,538 | 567 | 1,350 | 1,755 |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

| | BALANCE 7/1/2007 | RECEIPTS DISBURSEMENTS (Including Transfers) | BALANCE 6/30/2008 |
|---------------------------------------|---------------------|--|----------------------|
| Woods Club | 0 | 126 0 | 126 |
| Community Scholarship Fund | 1,283 | 303 600 | 986 |
| Gabier Scholarship Fund | 295 | 1 0 | 296 |
| F.M. Jewett Scholarship Fund | 6,395 | 378 80 | 6,693 |
| F.M. and L.E. Jewett Scholarship Fund | 5,007 | 0 0 | 5,007 |
| | <u>\$ 103,522</u> | <u>\$ 164,941 \$ 173,077</u> | <u>\$ 95,386</u> |
| Represented by | | | |
| Assets | | | |
| Cash on Hand | \$ 50 | | \$ 50 |
| Cash on Deposit | <u>103,472</u> | | <u>95,336</u> |
| | <u>\$ 103,522</u> | | <u>\$ 95,386</u> |
| Liabilities | | | |
| Due to Groups and Organizations | <u>\$ 103,522</u> | | <u>\$ 95,386</u> |

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2008

| | |
|----------------------------|--|
| <u>TITLE OF ISSUE</u> | 2004 Refunding Bonds |
| <u>PURPOSE</u> | The Bonds are being issued for the purpose of advance refunding a portion of the school District's outstanding 1997 School Building and Site Bonds dated May 1, 1997, which are due and payable May 1, 2007 through May 1, 2018. |
| <u>DATE OF ISSUE</u> | March 25, 2004 |
| <u>INTEREST PAYABLE</u> | May 1, and November 1, of Each Year |
| <u>AMOUNT OF ISSUE</u> | \$ 6,105,000 |
| <u>AMOUNT REDEEMED</u> | |
| Current Year | \$ 425,000 |
| Prior Years | <u>545,000</u> |
| | <u>970,000</u> |
| <u>BALANCE OUTSTANDING</u> | June 30, 2008 <u>\$ 5,135,000</u> |

| <u>DUE DATES</u> | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|---------------------------|---------------------|---------------------|---------------------|
| | | <u>TOTAL</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
| November 1, 2008 | | \$ 86,844 | \$ 86,844 | |
| May 1, 2009 | 2.75% | 536,844 | 86,844 | \$ 450,000 |
| November 1, 2009 | | 80,656 | 80,656 | |
| May 1, 2010 | 3.00% | 545,656 | 80,656 | 465,000 |
| November 1, 2010 | | 73,681 | 73,681 | |
| May 1, 2011 | 3.00% | 553,681 | 73,681 | 480,000 |
| November 1, 2011 | | 66,481 | 66,481 | |
| May 1, 2012 | 3.25% | 561,481 | 66,481 | 495,000 |
| November 1, 2012 | | 58,438 | 58,438 | |
| May 1, 2013 | 3.50% | 573,438 | 58,438 | 515,000 |
| November 1, 2013 | | 49,425 | 49,425 | |
| May 1, 2014 | 3.50% | 579,425 | 49,425 | 530,000 |
| November 1, 2014 | | 40,150 | 40,150 | |
| May 1, 2015 | 3.50% | 590,150 | 40,150 | 550,000 |
| November 1, 2015 | | 30,525 | 30,525 | |
| May 1, 2016 | 3.60% | 580,525 | 30,525 | 550,000 |
| November 1, 2016 | | 20,625 | 20,625 | |
| May 1, 2017 | 3.70% | 570,625 | 20,625 | 550,000 |
| November 1, 2017 | | 10,450 | 10,450 | |
| May 1, 2018 | 3.80% | 560,450 | 10,450 | 550,000 |
| | | <u>\$ 6,169,550</u> | <u>\$ 1,034,550</u> | <u>\$ 5,135,000</u> |

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN
SCHEDULE OF BONDS PAYABLE
JUNE 30, 2008

DENOMINATIONS

\$5,000 Each, or any Integral Multiple Thereof.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2015, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2014, at par plus accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The resolution authorizing issuance of the Bonds and State law obligate the School District to levy a tax in an amount sufficient so that the estimated collections therefrom together with amounts, if any, to be borrowed from the School Bond Loan Fund, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes for the next year or could compel the School District to make application to borrow the necessary funds from the School Bond Loan Fund and thus prevent a default. However, in the event that the principal of or interest on any Bond is not paid when due or upon proper presentation of the Bond or interest coupon to the agent or officer charged with making payment (irrespective of whether an application by the School District to the State for a loan to pay such principal or interest has been made or approved), the State Treasurer shall forthwith pay such principal or interest upon presentation of the Bond or coupon to him. If sufficient funds for full payment of debt service on the Bonds do not reach the Paying Agent five business days prior to the debt service payment due date, the Paying Agent will notify the School District of the amount of insufficient funds four business days prior to the due date. In the event that the School District does not immediately resolve the insufficient funds situation, the Paying Agent will notify the Michigan Department of Treasury of the deficiency three business days before the payment due date and the State Treasurer shall make the payment. Any amount so paid by the State Treasurer shall be deemed a loan made to the School District pursuant to the requirements of Article IX, Section 16 of the State Constitution. Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the owners of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 9, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education
Mesick Consolidated Schools
Mesick, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools for the year ended June 30, 2008, and has issued our report thereon dated October 9, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Mesick Consolidated Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Mesick Consolidated Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mesick Consolidated Schools are described in Note I to the financial statements. No new

accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit except as noted in the Single Audit significant deficiencies section.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Our adjusting journal entries are attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- 1) Budgeting – The District's actual expenditures exceeded appropriations in certain areas of the General Fund as well as in the Lunch Fund. State law requires that the District amend its budget prior incurring expenditures that would otherwise exceed appropriations.
- 2) Credit Card Policy – The District currently uses credit cards. We recommend that the Board adopt a policy regarding credit card use.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.